

**FY2019 Q2**  
**Consolidated Results**  
**(for the 6 months ended September 30, 2019)**

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November 13, 2019

## ◆ Actual Results for Q2/FY2019

- Income and earnings increased in the first half for each segment excluding the Electronic Devices Business.
- Operating profit of the Watches Business continued to improve mainly due to a favorable performance of Global Brands in each country and growth in high-priced watches reflecting a surge in demand before the consumption-tax hike in Japan.
- Promoted investment in a long-term perspective certainly, including advertising & sales promotion expenses, etc.

## ◆ Forecast for FY2019

- In the Watches Business, while sales of watches are expected to continue to perform favorably with reaction to the surge in demand staying within the expected range, sales of watch movements are expected to remain sluggish.
- In the Electronic Devices Business, only a slight improvement from the same period of the previous fiscal year is expected in the second half.
- The Systems Solutions Business to remain favorable along with an expansion of the market.

# 1. Consolidated Results

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# FY2019 Q2 Statements of Income (Apr. 2019 - Sep. 2019)

**SEIKO**

(Billions of yen)

		FY18 H1	FY19 H1	Variance	
				Amt.	%
Net Sales		121.0	122.1	+1.0	+0.9%
Gross Profit		46.9	49.7	+2.7	+5.9%
	%	38.8%	40.7%	+1.9pt	
Operating Profit		5.7	7.0	+1.2	+22.7%
	%	4.7%	5.7%	+1.0pt	
Ordinary Profit		7.5	7.8	+0.3	+4.2%
	%	6.2%	6.4%	+0.2pt	
Income before income taxes		7.6	7.8	+0.1	+2.4%
Profit attributable to owners of parent		6.1	5.4	-0.7	-12.3%
	%	5.1%	4.4%	-0.7pt	
<b>Exchange Rates (JPY)</b>	USD	110.3	108.6	-1.7	-1.5%
	EUR	129.8	121.4	-8.4	-6.5%

<b>Net Sales :</b>	<b>y/y</b>	<b>+1.0</b>
Exchange rate fluctuations		-1.1

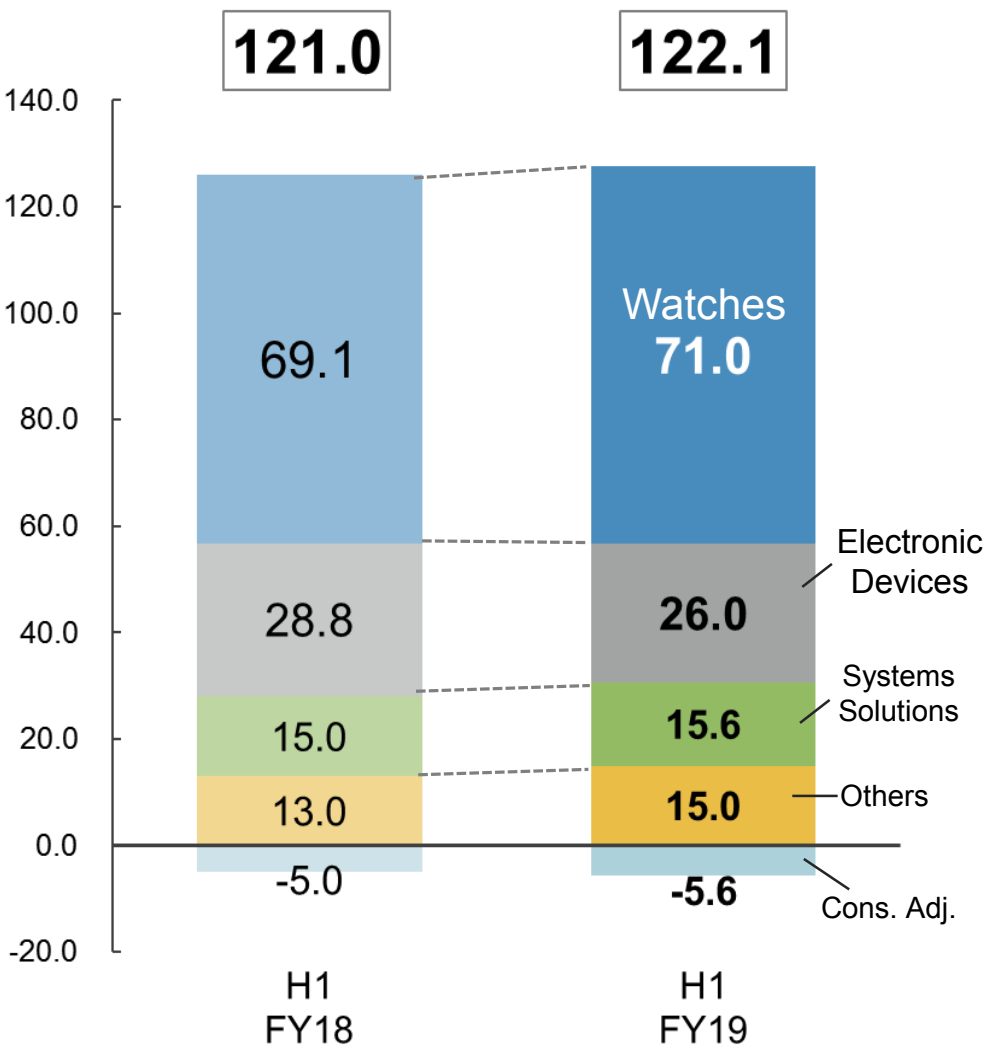
<b>Operating Profit :</b>	<b>y/y</b>	<b>+1.2</b>
Impact of increase in Net sales		+0.4
Impact of improved GP%		+2.3
Increase in SG&A expenses		-1.4

<b>Ordinary Profit :</b>	<b>y/y</b>	<b>+0.3</b>
Increase in Operating profit		+1.2
Decrease in Equity-method income		-0.2
Increase in Foreign exchange losses		-0.4
Others		-0.2

<b>Extraordinary Income/Losses:</b>	<b>-0.0</b>
Extraordinary Income	0.1
Gain on sales of non-current assets	0.1
Extraordinary Losses	0.1
Retirement benefit expenses	0.1

# Sales by Reported Segments (Apr. 2019 - Sep. 2019)

(Billions of yen)

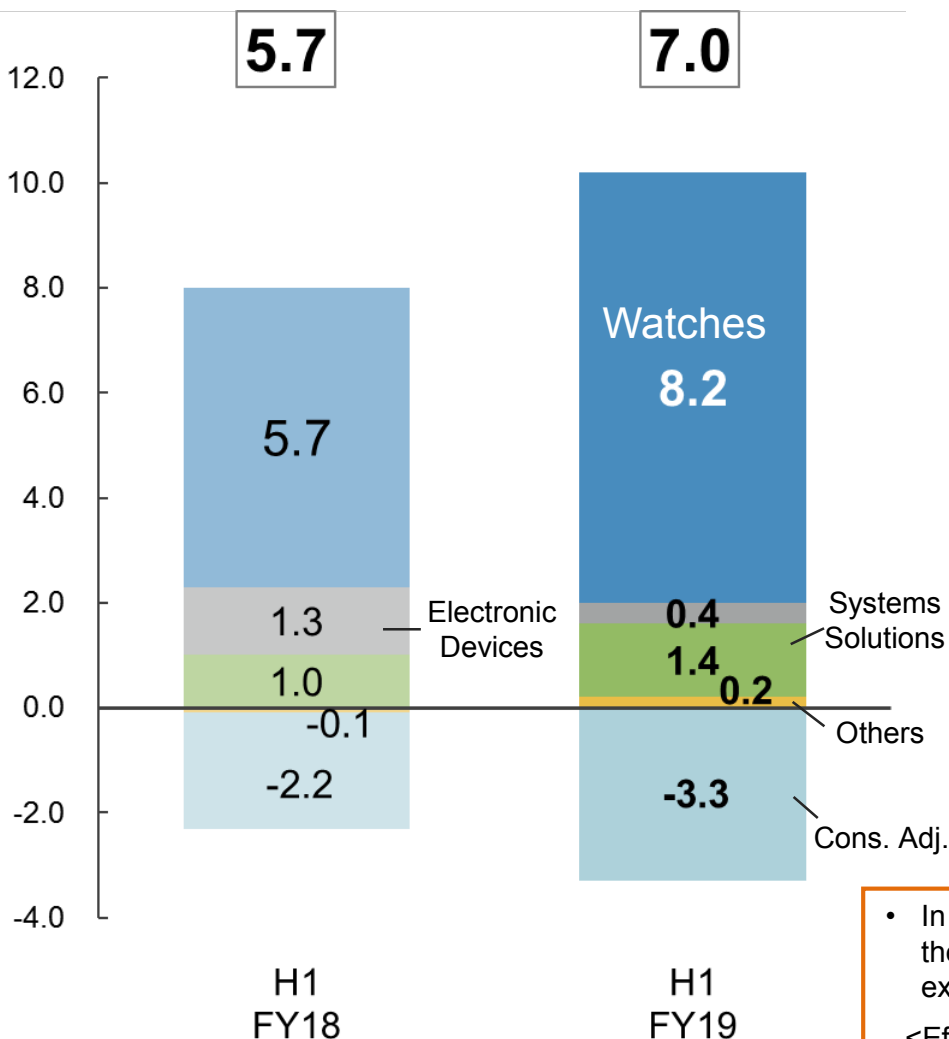


(Billions of yen)

	Net Sales (Composition ratio)		
	FY18 H1	FY19 H1	Variance
Watches	69.1 (57%)	71.0 (58%)	+1.9
Electronic Devices	28.8 (24%)	26.0 (21%)	-2.7
Systems Solutions	15.0 (12%)	15.6 (13%)	+0.5
Sub Total	113.0	112.7	-0.3
Others	13.0 (11%)	15.0 (12%)	+2.0
Cons. Adj.	-5.0 (-4%)	-5.6 (-5%)	-0.6
<b>Cons. Total</b>	<b>121.0</b>	<b>122.1</b>	<b>+1.0</b>

# Operating Profit by Reported Segments (Apr. 2019 - Sep. 2019)

(Billions of yen)



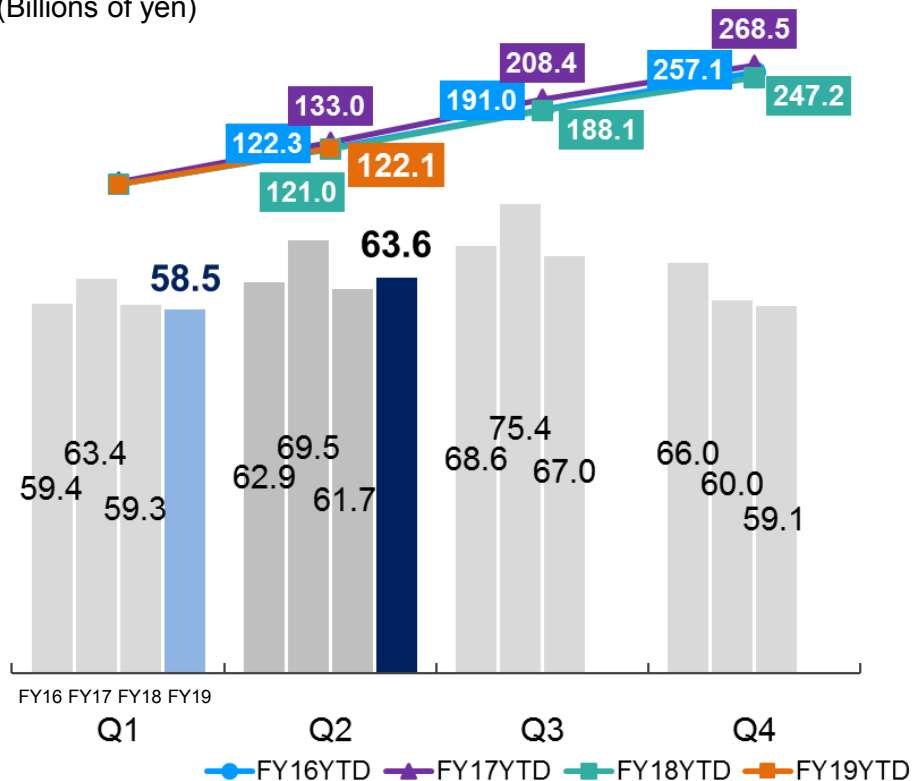
(Billions of yen)

	Operating Profit		
	FY18 H1	FY19 H1	Variance
Watches	5.7	8.2	+2.4
Electronic Devices	1.3	0.4	-0.8
Systems Solutions	1.0	1.4	+0.3
Sub Total	8.1	10.1	+1.9
Others	-0.1	0.2	+0.4
Cons. Adj.	-2.2	-3.3	-1.0
Cons. Total	5.7	7.0	+1.2

- In order to appropriately evaluate the results of each reported segment, the Company conducted a change in management method of the common expenses among the operating companies from FY2019.  
 <Effect of the change to operating profit of each segment>  
 Watches: +0.4 billion yen, Electronic Devices: +0.4 billion yen, Cons. Adj.: -0.9 billion yen

## Net Sales

(Billions of yen)

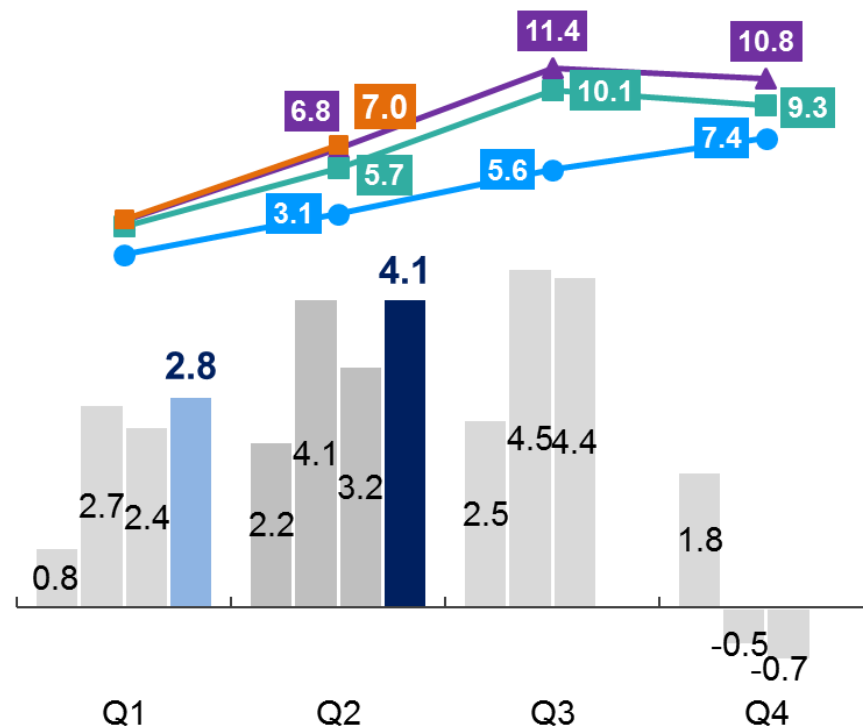


<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total	Q2YTD
<b>FY19</b>	<b>-1.4%</b>	<b>+3.1%</b>				<b>+0.9%</b>
FY18	-6.5%	-11.3%	-11.1%	-1.5%	<b>-7.9%</b>	<b>-9.0%</b>
FY17	+6.8%	+10.5%	+9.9%	-9.1%	<b>+4.4%</b>	<b>+8.7%</b>

## Operating Profit

(Billions of yen)

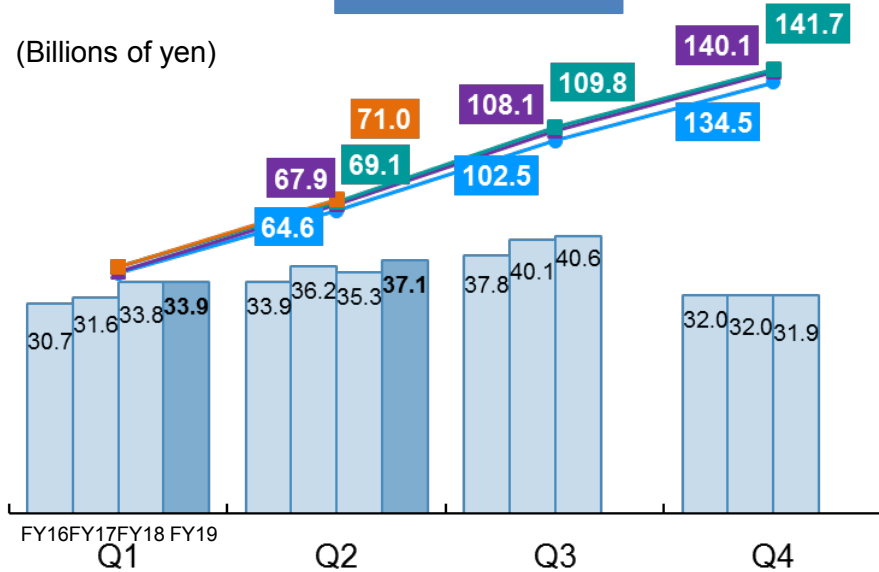


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	Q1	Q2	Q3	Q4	Total	Q2YTD
<b>FY19</b>	<b>4.8%</b>	<b>6.6%</b>				<b>5.7%</b>
FY18	4.1%	5.3%	6.6%	-1.3%	<b>3.8%</b>	<b>4.7%</b>
FY17	4.3%	6.0%	6.0%	-1.0%	<b>4.0%</b>	<b>5.2%</b>
FY16	1.5%	3.6%	3.7%	2.8%	<b>2.9%</b>	<b>2.6%</b>

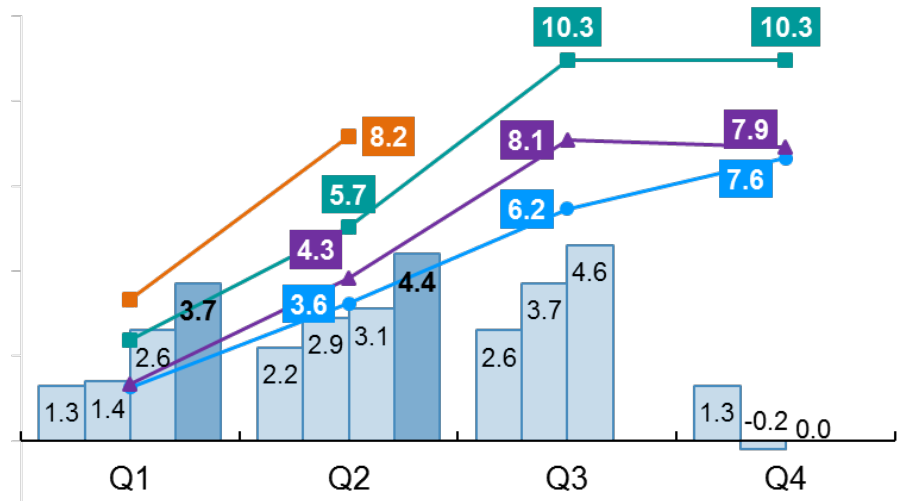
## Net Sales

(Billions of yen)



## Operating Profit

(Billions of yen)



● FY16YTD   
 ▲ FY17YTD   
 ■ FY18YTD   
 ■ FY19YTD  
 <Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total	Q2YTD
<b>FY19</b>	<b>+0.3%</b>	<b>+5.1%</b>				<b>+2.7%</b>
FY18	+6.7%	-2.4%	+1.1%	-0.1%	+1.2%	+1.8%
FY17	+3.1%	+6.8%	+6.2%	-0.1%	+4.1%	+5.0%

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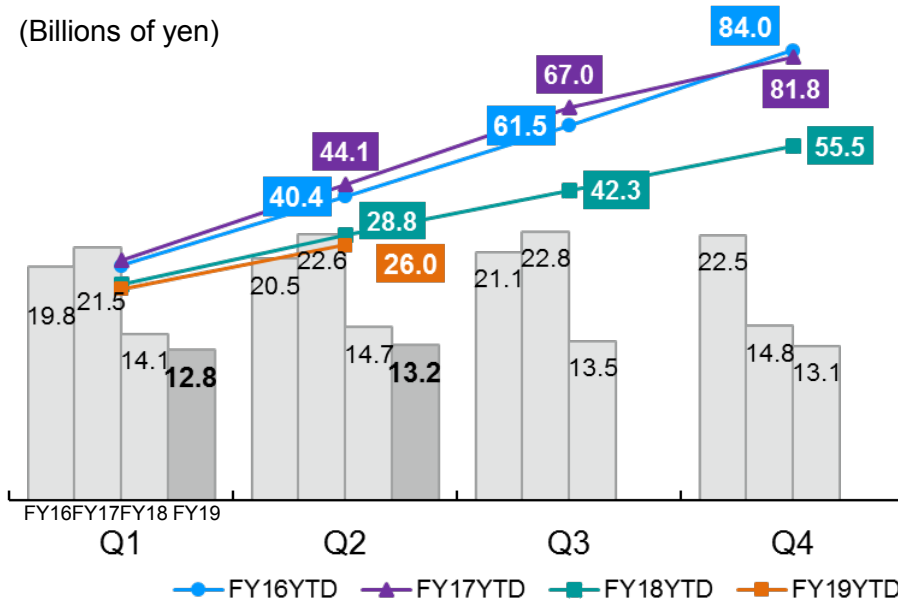
	Q1	Q2	Q3	Q4	Total	Q2YTD
<b>FY19</b>	<b>11.1%</b>	<b>12.0%</b>				<b>11.5%</b>
FY18	7.7%	8.8%	11.3%	0.1%	7.3%	8.3%
FY17	4.5%	8.1%	9.3%	-0.7%	5.6%	6.5%
FY16	4.5%	6.6%	7.0%	4.2%	5.7%	5.6%

- Watches (In Japan) : Sales grew at department stores, watch independent stores, mass retailers, and many other distribution channels, mainly for high-priced watches such as Credor and Grand Seiko, partly due to a surge in demand in September before the consumption-tax hike.
- Watches (In Overseas) : Net sales of Global Brands increased year on year in all regions. Grand Seiko showed favorable sales growth, particularly in the U.S. Seiko Prospex grew favorably in other regions.
- Movements : Net sales declined year on year owing to continuing stagnant sales of watches in the affordable price range in global markets.



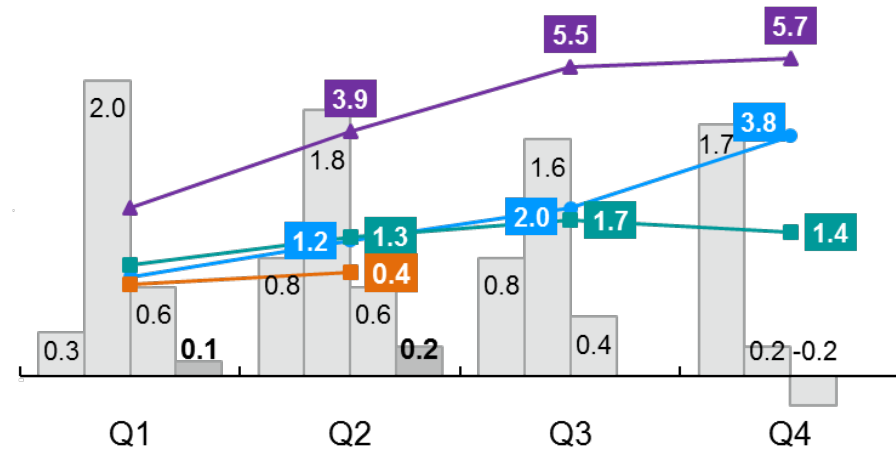
## Net Sales

(Billions of yen)



## Operating Profit

(Billions of yen)



<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total	Q2YTD
<b>FY19</b>	<b>-9.2%</b>	<b>-10.1%</b>				<b>-9.6%</b>
FY18	-34.6%	-35.0%	-40.6%	-11.2%	-32.1%	-34.8%
FY17	+8.8%	+9.9%	+8.3%	-34.3%	-2.6%	+9.3%

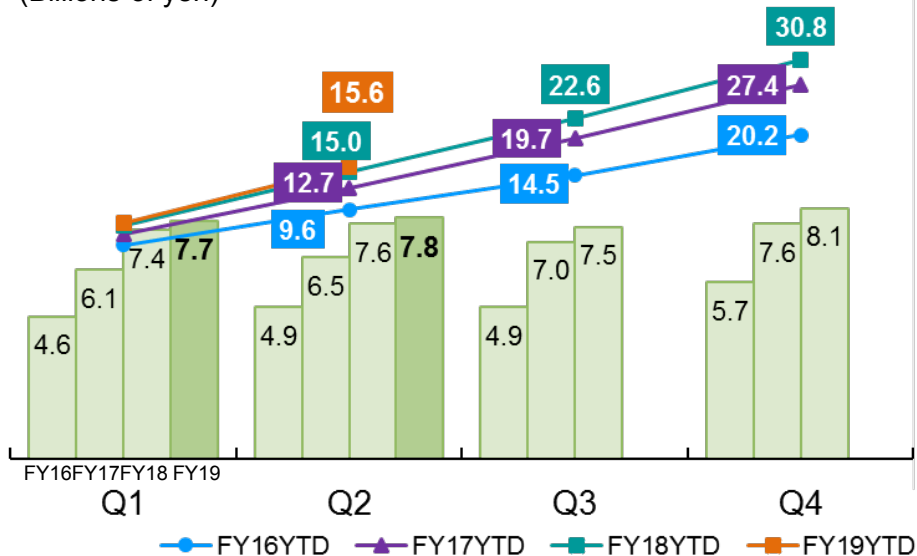
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	Q1	Q2	Q3	Q4	Total	Q2YTD
<b>FY19</b>	<b>1.5%</b>	<b>1.8%</b>				<b>1.7%</b>
FY18	4.5%	4.6%	3.0%	-2.2%	2.5%	4.5%
FY17	9.5%	8.2%	7.2%	1.7%	7.1%	8.8%
FY16	2.0%	4.0%	3.9%	7.9%	4.5%	3.0%

- The external environment, including a protraction of the slowdown in the Chinese economy and stagnant investment in semiconductor equipment, did not show improvements, and sales of precision components and high-performance metals for semiconductor manufacturing equipment were sluggish.

## Net Sales

(Billions of yen)

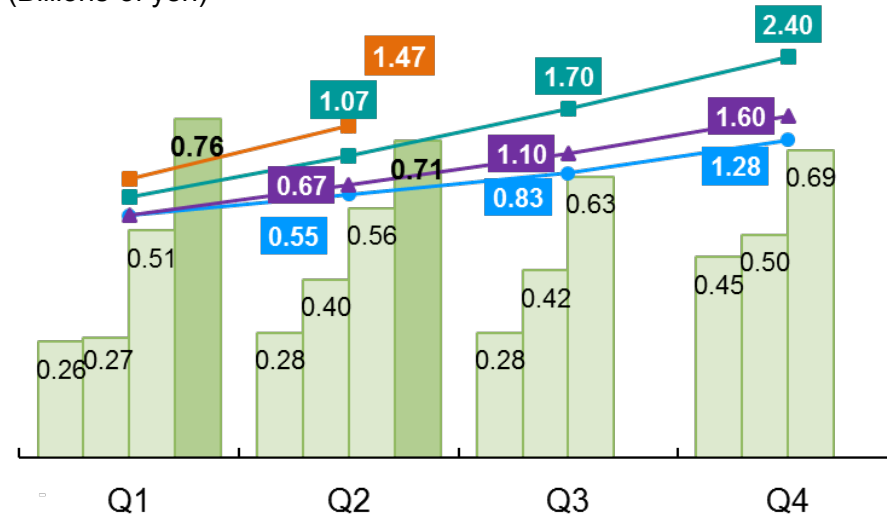


<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total	Q2YTD
<b>FY19</b>	<b>+4.3%</b>	<b>+3.1%</b>				<b>+3.7%</b>
FY18	+19.9%	+17.1%	+7.6%	+6.8%	+12.4%	+18.4%
FY17	+32.0%	+33.0%	+42.5%	+33.1%	+35.1%	+32.5%

## Operating Profit

(Billions of yen)



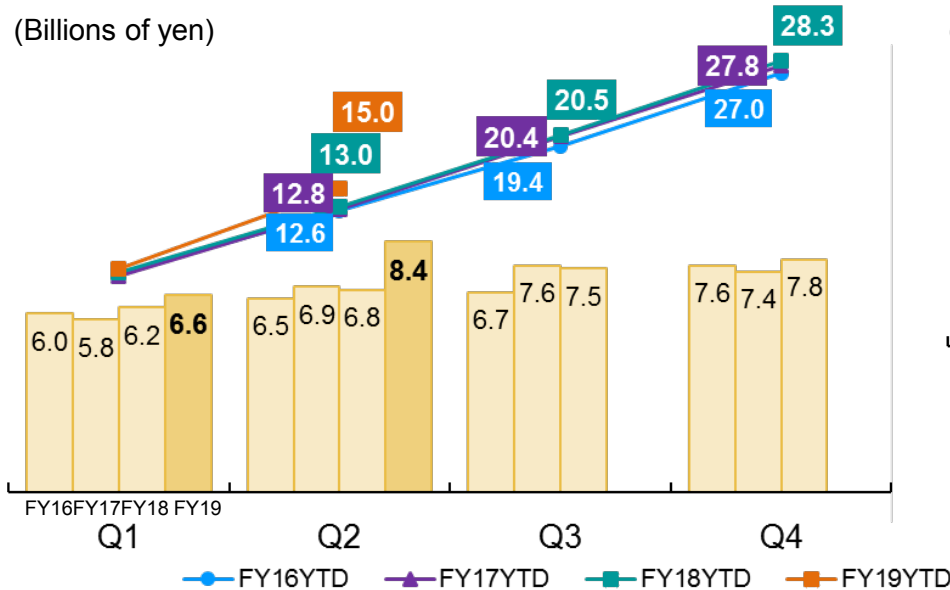
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	Q1	Q2	Q3	Q4	Total	Q2YTD
<b>FY19</b>	<b>9.8%</b>	<b>9.1%</b>				<b>9.4%</b>
FY18	6.9%	7.4%	8.3%	8.5%	7.8%	7.1%
FY17	4.4%	6.2%	6.0%	6.6%	5.9%	5.3%
FY16	5.6%	5.9%	5.7%	7.9%	6.3%	5.7%

- The rise in net sales was driven by the mobile solutions business and expansion of system integration projects for the financial industry, among other factors.

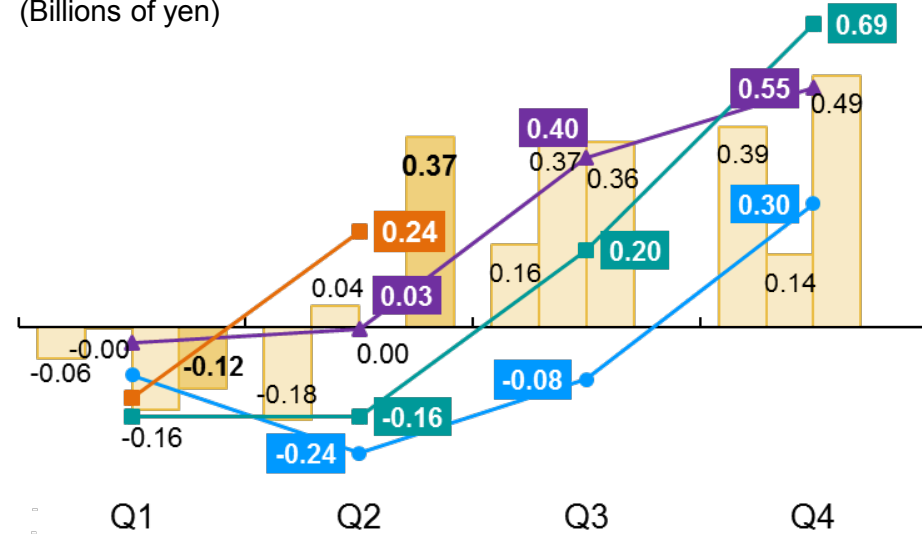
## Net Sales

(Billions of yen)



## Operating Profit

(Billions of yen)



<Net sales growth % vs. previous fiscal year>

	Q1	Q2	Q3	Q4	Total	Q2YTD
<b>FY19</b>	<b>+6.6%</b>	<b>+23.6%</b>				<b>+15.5%</b>
FY18	+5.4%	-2.1%	-1.4%	+5.9%	+1.8%	+1.4%
FY17	-3.4%	+5.9%	+12.2%	-2.6%	+3.0%	+1.4%

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	Q1	Q2	Q3	Q4	Total	Q2YTD
<b>FY19</b>	<b>-1.9%</b>	<b>4.4%</b>				<b>1.7%</b>
FY18	-2.7%	0.1%	4.9%	6.3%	2.5%	-1.3%
FY17	-0.1%	0.6%	4.9%	1.9%	2.0%	0.3%
FY16	-1.1%	-2.8%	2.4%	5.2%	1.1%	-2.0%

- Net sales exceeded those of the previous fiscal year in the Wako Business, which showed growth in net sales due to the impact of a surge in demand before the consumption-tax hike, as well as in the Clocks Business, the Time Systems Business and other businesses.

# Balance Sheets as of September 30, 2019

(Billions of yen)

	Sep. 30, 2017	Sep. 30, 2018	Mar. 31, 2019(a)	Sep. 30, 2019(b)	Variance (b)-(a)
Inventories	69.6	60.8	58.3	61.1	+2.8
Interest Bearing Debt	136.4	107.7	106.0	109.2	+3.2

Net Assets	114.0	111.9	110.4	111.6	+1.2
Total Assets	345.8	304.2	303.0	298.7	-4.3

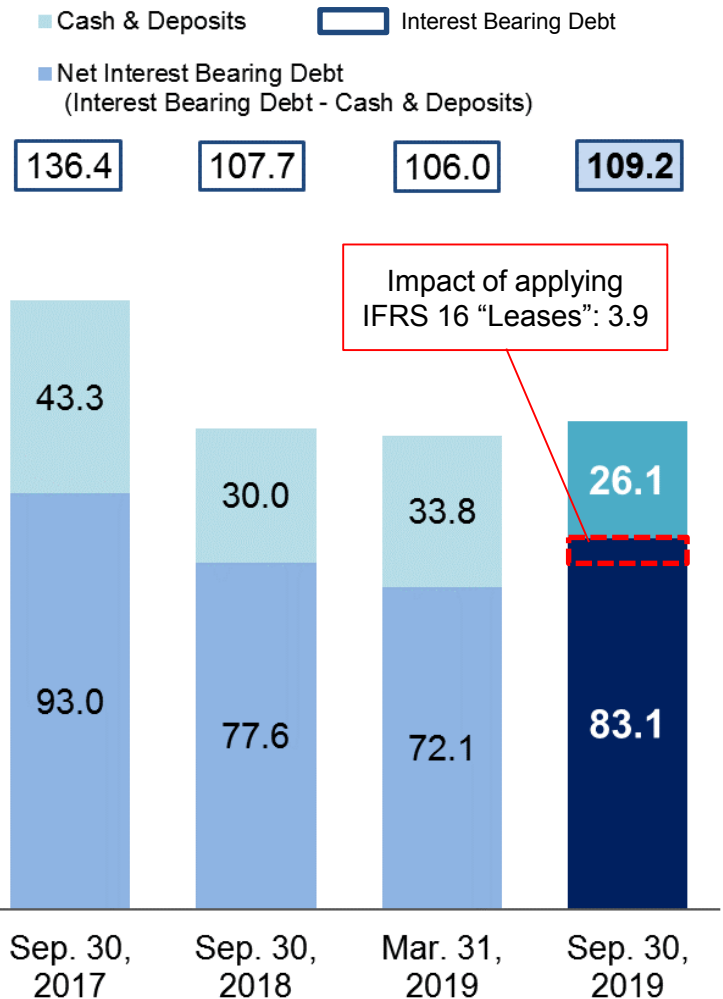
Equity Capital Ratio	30.1%	36.4%	36.0%	37.0%	+0.9pt
Net Debt Equity Ratio	0.8	0.6	0.6	0.7	+0.1
Number of Employees	13,170	12,121	12,020	12,204	+184

\*The Company has applied IFRS 16 "Leases" at consolidated subsidiaries overseas, excluding those in the U.S., from Q1, FY2019.

\*The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from Q1, FY2018. Accordingly, total assets and equity capital ratio as of Sep. 30, 2017 are presented after reclassification.

## Interest Bearing Debt

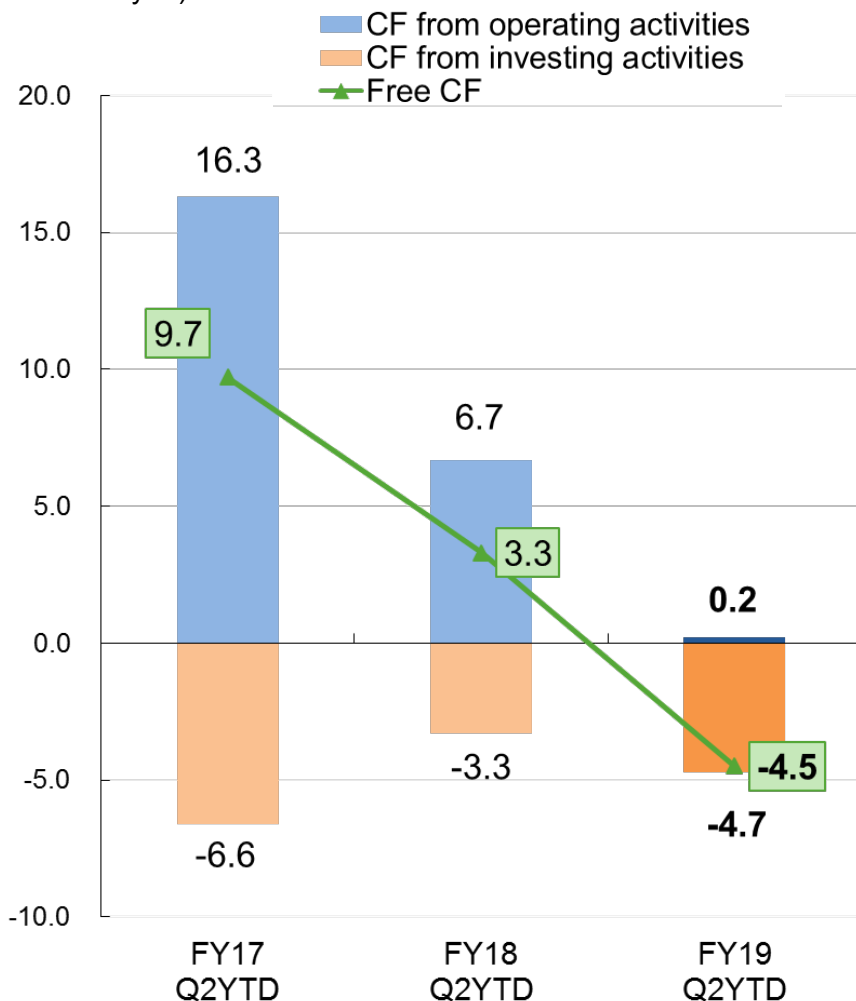
(Billions of yen)



# Statement of Cash Flows

(Billions of yen)

(Billions of yen)



	FY17 Q2YTD	FY18 Q2YTD	FY19 Q2YTD
Profit before income taxes	5.8	7.6	7.8
Depreciation	5.2	4.2	5.0
Others	5.2	-5.2	-12.6
<b>Net cash provided by (used in) operating activities</b>	16.3	6.7	0.2
Purchase of property, plant and equipment	-3.8	-3.1	-3.9
Others	-2.7	-0.2	-0.7
<b>Net cash provided by (used in) investing activities</b>	-6.6	-3.3	-4.7
Net increase (decrease) in loans payable	-0.4	-5.7	-0.4
Others	-1.9	-1.7	-2.3
<b>Net cash provided by (used in) financing activities</b>	-2.3	-7.5	-2.7
Effect of exchange rate change on cash and cash equivalents etc.	0.3	0.3	-0.4
Cash and cash equivalents	43.0	30.0	26.1
<b>Free cash flow</b>	9.7	3.3	-4.5

## 2. Financial Forecast for FY2019

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# Summary of Financial Forecast for FY2019

(Billions of yen)

	Full Year					H2 (6 months)		
	FY18 Actual	FY19 Forecast		Variance vs. FY18	Variance vs. Previous	FY18 Actual	FY19 Forecast (Nov.12)	Variance vs. FY18
		Previous (Aug.9)	Current (Nov.12)					
Net sales	247.2	255.0	253.0	+5.7	-2.0	126.2	130.8	+4.6
Operating profit	9.3	9.5	10.0	+0.6	+0.5	3.6	2.9	-0.6
%	3.8%	3.7%	4.0%	+0.2pt	+0.2pt	2.9%	2.3%	-0.6pt
Ordinary profit	11.4	11.5	11.5	+0.0	±0.0	3.8	3.6	-0.2
%	4.6%	4.5%	4.5%	-0.1pt	+0.0pt	3.1%	2.8%	-0.3pt
Profit attributable to owners of parent	9.2	9.5	9.5	+0.2	±0.0	3.0	4.0	+1.0
%	3.7%	3.7%	3.8%	+0.0pt	+0.0pt	2.4%	3.1%	+0.7pt

\*Exchange rates for the forecast in H2: 1 USD = 110 yen; 1 EUR = 125 yen.

# Financial Forecast for FY2019 by Reported Segments

	Net sales				
	FY18 Actual	FY19 Forecast		Variance vs. FY18	Variance vs. Previous
		Previous (Aug.9)	Current (Nov.12)		
Watches	141.7	148.0	146.0	+4.2	-2.0
Electronic Devices	55.5	55.0	54.0	-1.5	-1.0
Systems Solutions	30.8	32.0	32.0	+1.1	±0.0
Sub total	228.1	235.0	232.0	+3.8	-3.0

	Operating profit				
	FY18 Actual	FY19 Forecast		Variance vs. FY18	Variance vs. Previous
		Previous (Aug.9)	Current (Nov.12)		
Watches	10.3	11.5	12.8	+2.4	+1.3
Electronic Devices	1.4	2.5	1.2	-0.2	-1.3
Systems Solutions	2.4	2.5	3.0	+0.5	+0.5
Sub total	14.2	16.5	17.0	+2.7	+0.5

Others	28.3	29.0	30.0	+1.6	+1.0
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Others	0.6	0.8	0.8	+0.1	±0.0
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Cons. adj.	-9.2	-9.0	-9.0	+0.2	±0.0
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Cons. adj.	-5.5	-7.8	-7.8	-2.2	±0.0
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Cons. total	247.2	255.0	253.0	+5.7	-2.0
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Cons. total	9.3	9.5	10.0	+0.6	+0.5
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\*The Company conducted a change in management method of the common expenses among the operating companies from FY2019.



# Financial Forecast for FY2019 by Reported Segments

(Billions of yen)

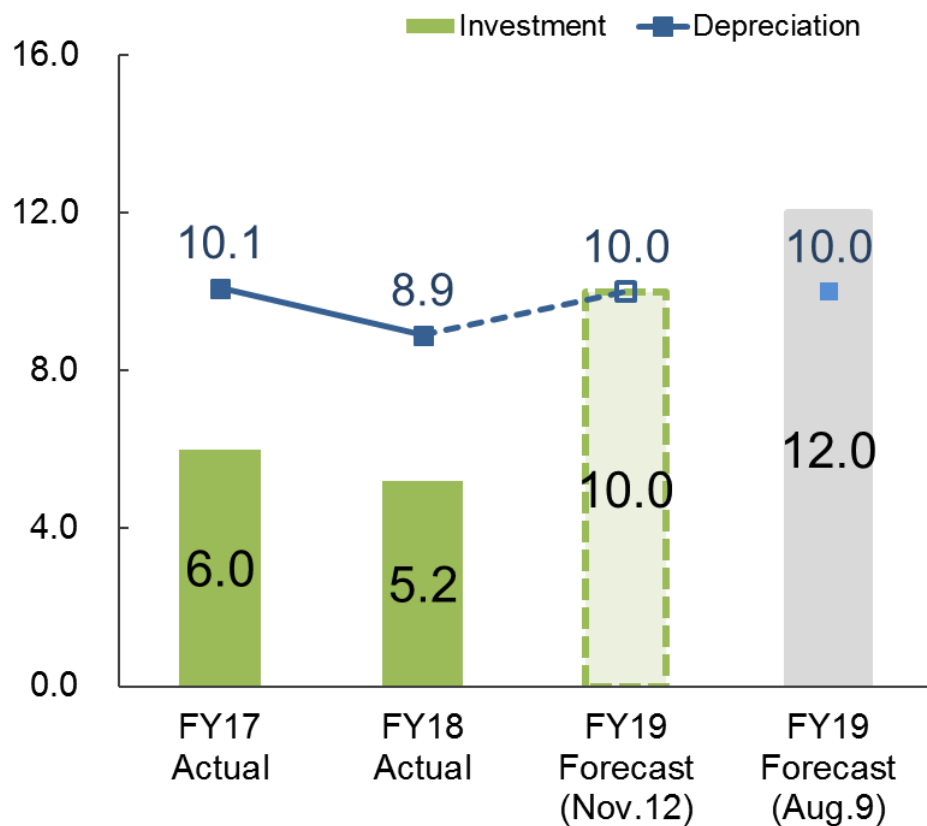
	Net sales 2H (6 months)			Operating profit 2H (6 months)		
	FY18 Actual	FY19 Forecast (Nov.12)	Variance vs. FY18	FY18 Actual	FY19 Forecast (Nov.12)	Variance vs. FY18
Watches	72.5	74.9	+2.3	4.6	4.5	-0.0
Electronic Devices	26.7	27.9	+1.2	0.1	0.7	+0.6
Systems Solutions	15.7	16.3	+0.6	1.3	1.5	+0.2
Sub total	115.0	119.2	+4.1	6.0	6.8	+0.8
Others	15.3	14.9	-0.3	0.8	0.5	-0.3
Cons. adj.	-4.1	-3.3	+0.8	-3.2	-4.4	-1.1
Cons. total	126.2	130.8	+4.6	3.6	2.9	-0.6

*\*The Company conducted a change in management method of the common expenses among the operating companies from FY2019.*

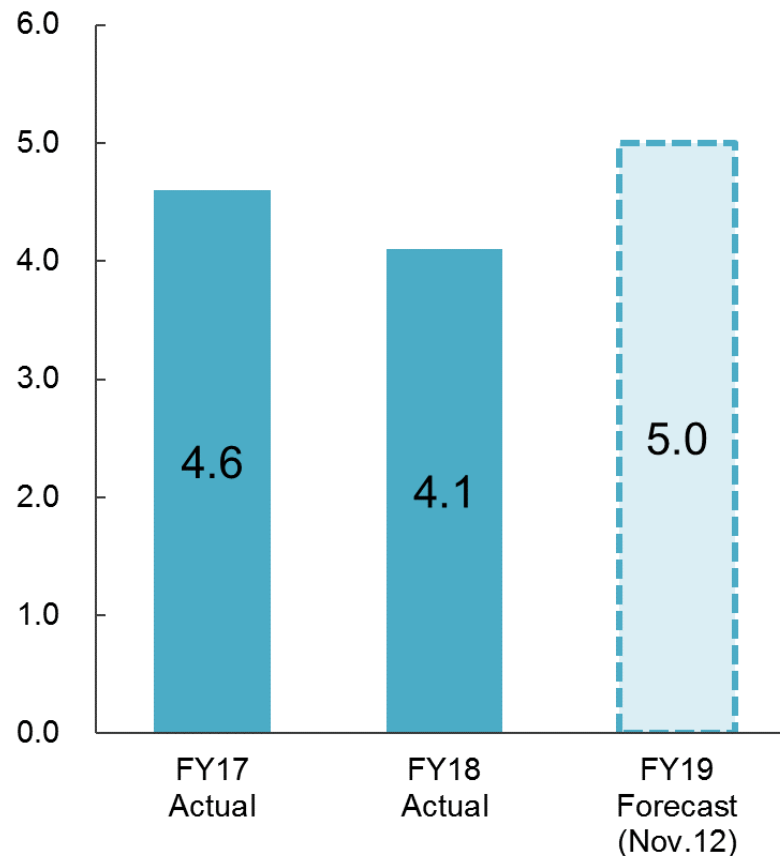
## Investment / Depreciation

## R&D Expense

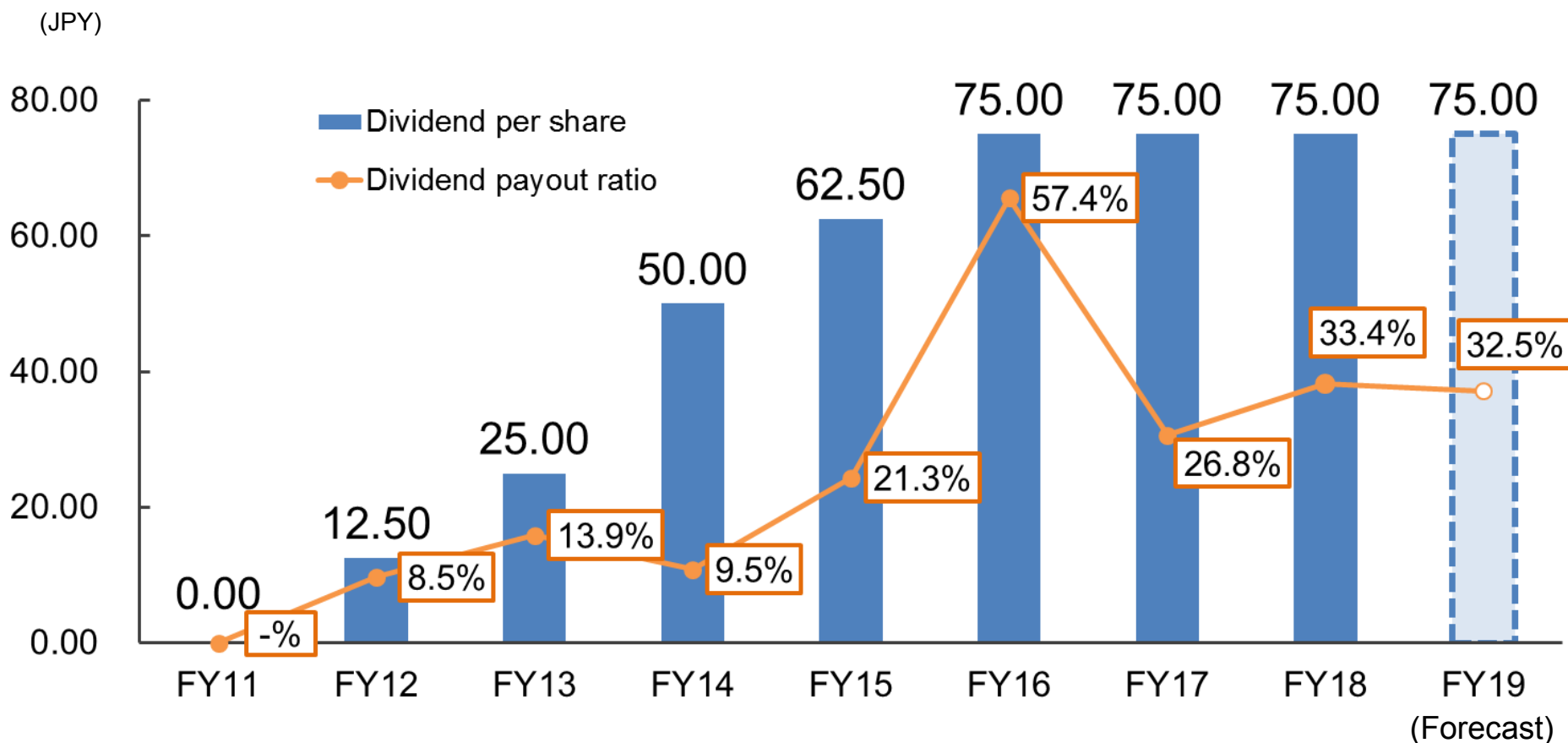
(Billions of yen)



(Billions of yen)



*\*No changes in forecast for FY2019 presented on Aug. 9, 2019.*



*\*The Company conducted a share consolidation of every five shares of its common stock into one share as of October 1, 2017. The annual dividends above reflect the share consolidation.*

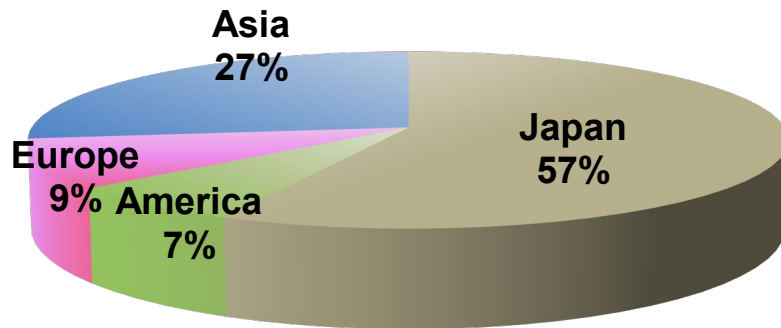
## Sensitivity Exchange Rate (Oct. 2019-Mar. 2020)

Sensitivity Exc. Rate	USD	EUR
Forecast Exc. Rate	JPY 110.0	JPY 125.0
For <u>Net sales</u> (Millions of yen)	400	70
For <u>Operating profit</u> (Millions of yen)	50	25

## FY2019

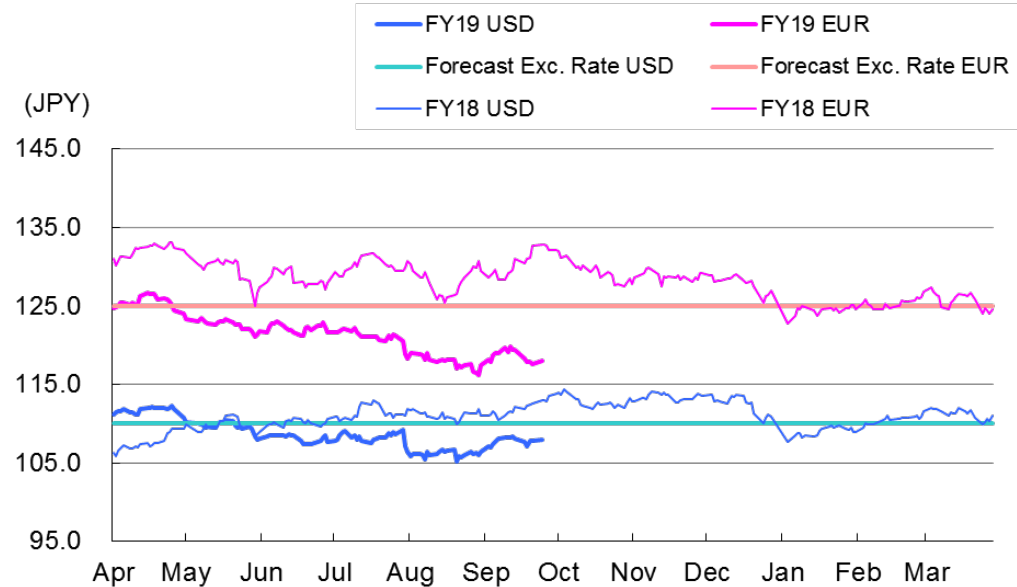
(JPY)		Q1	Q2	Forecast Exc. Rate
Average	USD	109.9	107.4	110.0
	EUR	123.5	119.4	125.0
Closing Date	USD	107.8	108.0	110.0
	EUR	122.5	118.0	125.0

## Sales by Area



\* FY2018 Actual data

## Trend of Exchange Rate



- ◆ *The forecasted results which appear in this presentation are based on the information which we have obtained as of now, and on certain assumptions deemed reasonable. As a result, actual results, etc. may differ significantly from the forecasted figures due to a wide range of factors.*

*Numbers are cut off to the unit indicated, unless otherwise specified.*

# Reference

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(Billions of yen)

	FY18 Q2	FY19 Q2	Variance		
			Amt.	%	
Net Sales	61.7	63.6	+1.9	+3.1%	
Gross Profit	24.0	25.9	+1.9	+7.9%	
%	39.0%	40.8%	+1.8pt		
Operating Profit	3.2	4.1	+0.8	+27.3%	
%	5.3%	6.6%	+1.3pt		
Ordinary Profit	4.0	4.5	+0.4	+11.3%	
%	6.6%	7.1%	+0.5pt		
Income before income taxes	4.0	4.5	+0.5	+12.3%	
Profit attributable to owners of parent	3.0	3.2	+0.1	+5.0%	
%	5.0%	5.1%	+0.1pt		
Exchange Rates (JPY)	USD	111.4	107.4	-4.1	-3.6%
	EUR	129.5	119.4	-10.1	-7.8%

<b>Net Sales :</b>	<b>y/y</b>	<b>+1.9</b>
Exchange rate fluctuations		-1.0

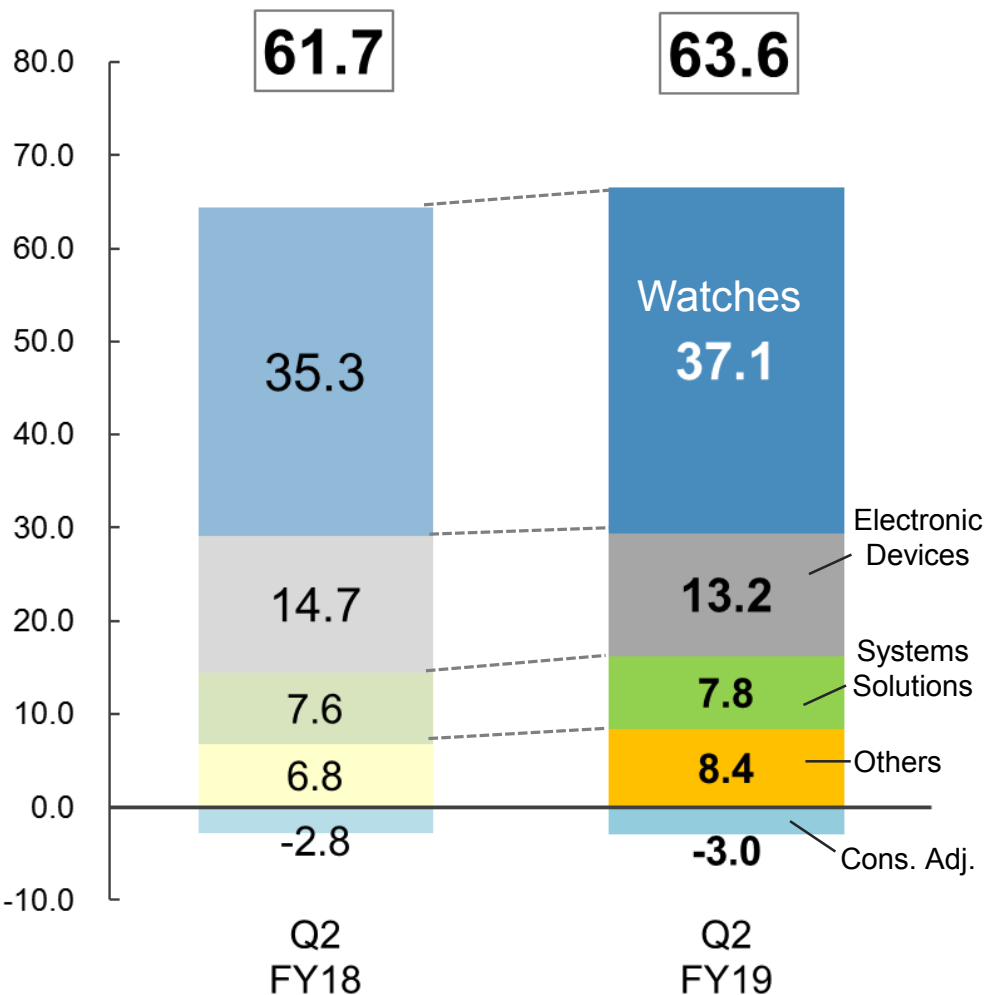
<b>Operating Profit :</b>	<b>y/y</b>	<b>+0.8</b>
Impact of a increase in sales		+0.7
Impact of improved GP%		+1.1
Increase in SG&A expenses		-1.0

<b>Ordinary Profit :</b>	<b>y/y</b>	<b>+0.4</b>
Increase in Operating profit		+0.8
Decrease in Equity method income		-0.1
Increase in Foreign exchange losses		-0.2
Others		-0.0

<b>Extraordinary Income/Losses:</b>	<b>+0.0</b>
Extraordinary Income	0.1
Gain on sales of non-current assets	0.1
Extraordinary Losses	0.0
Retirement benefit expenses	0.0

# Sales by Reported Segments (Jul. 2019 - Sep. 2019)

(Billions of yen)



(Billions of yen)

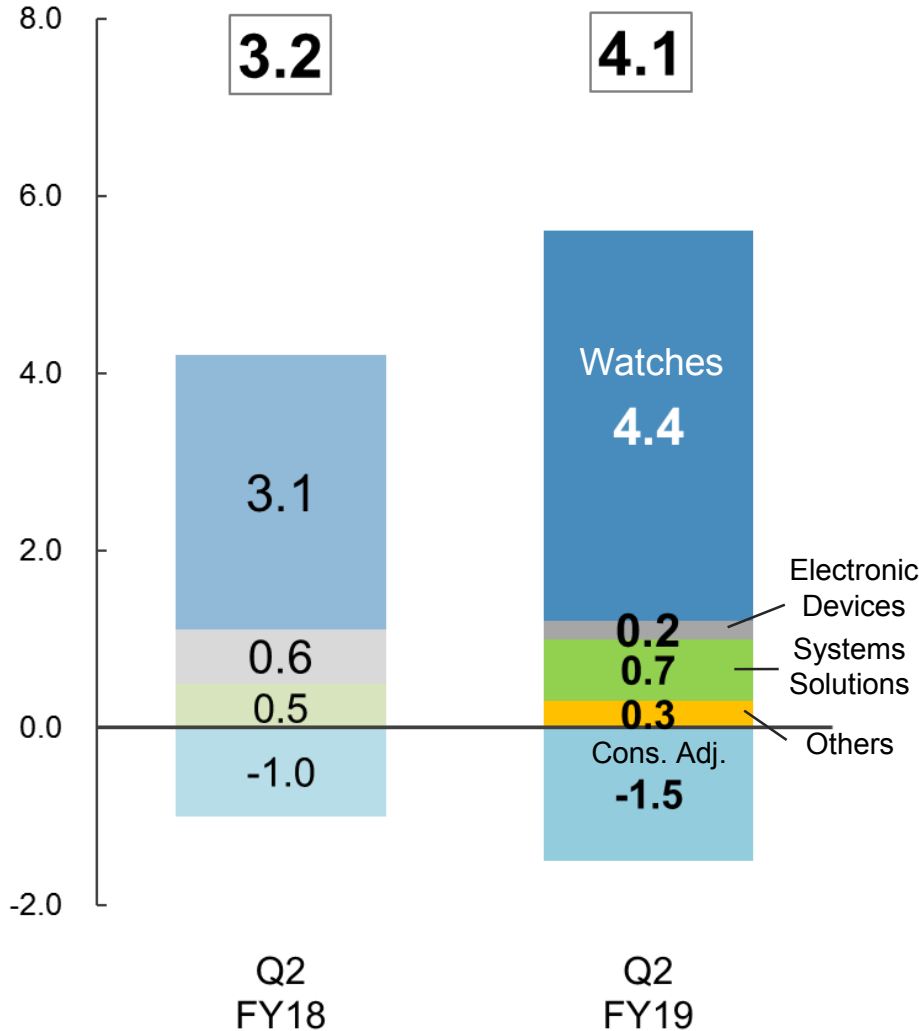
	Net Sales (Composition ratio)		
	FY18 Q2	FY19 Q2	Variance
Watches	35.3 (57%)	37.1 (58%)	+1.7
Electronic Devices	14.7 (24%)	13.2 (21%)	-1.4
Systems Solutions	7.6 (12%)	7.8 (12%)	+0.2
Sub Total	57.7	58.2	+0.5
Others	6.8 (11%)	8.4 (13%)	+1.6
Cons. Adj.	-2.8 (-5%)	-3.0 (-5%)	-0.2
<b>Cons. Total</b>	<b>61.7</b>	<b>63.6</b>	<b>+1.9</b>



# Operating Profit by Reported Segments (Jul. 2019 - Sep. 2019) **SEIKO**

(Billions of yen)

(Billions of yen)



	Operating Profit		
	FY18 Q2	FY19 Q2	Variance
Watches	3.1	4.4	+1.3
Electronic Devices	0.6	0.2	-0.4
Systems Solutions	0.5	0.7	+0.1
Sub Total	4.3	5.4	+1.0
Others	0.0	0.3	+0.3
Cons. Adj.	-1.0	-1.5	-0.5
<b>Cons. Total</b>	<b>3.2</b>	<b>4.1</b>	<b>+0.8</b>

End

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